

October 6, 2011

To: Chairman Peter Lund

House Insurance Committee

Re: **HB 4936** (Lund) Insurance; no-fault; coverage and benefits; make miscellaneous changes. (**Support**)

Dear Chairman Lund,

First, thank you for the opportunity to lend our comments to the committee on this important reform for Michigan. The National Association of Mutual Insurance Companies (NAMIC) is the largest and most diverse national property/casualty insurance trade and political advocacy association in the United States. Its 1,400 member companies write all lines of property/casualty insurance business and include small, single-state, regional, and national carriers accounting for 50 percent of the automobile/homeowners market and 31 percent of the business insurance market. NAMIC has been advocating for a strong and vibrant insurance industry since its inception in 1895. In Michigan, 150 member companies, including 55 domiciled companies, underwrite property/casualty business.

I am happy to voice our **support** to the committee for your measure, **HB 4936**, that will provide auto insurance reform that is critical to the future of the no-fault system in Michigan.

Michigan's no-fault system, with its unlimited lifetime medical benefit, requires by far the largest mandated benefit in the country. The cost of that system to both consumers and insurers is untenable in the long term. NAMIC believes that through HB 4936, Michigan can bring its system some reasonable reforms that will offer the consumer greater flexibility and choice in their coverage while still offering them the protection that they need. Components of the bill like a medical fee schedule will help control costs and bring fairness to the system, while choice of coverage limits will give consumers some flexibility and assessment of their own insurance needs.

From a national trend perspective, Michigan has some work to do to be competitive even within the no-fault framework. Of the twelve states currently employing a true no-fault system, only four rank higher than Michigan for auto insurance expenditures. (2010 III Fact Book) Of those four, three (NJ, NY, FL) are seriously considering reforms to their own no-fault systems.

Additionally, states regionally competing with Michigan are ranked much lower for average insurance expenditures: IL (26), IN (42), OH (41), and WI (45) (Also according to 2010 III Fact Book). Although these are not no-fault states, it is useful to examine what regional factors may hinder business growth in Michigan.

It isn't possible to predict all of the economic factors that may affect rates in the future that are not directly affected by this legislation (i.e. health care costs, repair costs, general inflation, etc.) What is certain though, is that reform that lowers the costs of the system will relieve the controllable factors that are driving costs up. Things like a medical fee schedule, and tiered benefit that the consumer may choose from will certainly bring costs in those categories down.

NAMIC believes that HB 4936 will move Michigan's no-fault system back from the brink of implosion. The current system with its uncontrolled medical costs and mandated benefit that doesn't allow consumer choice will simply put Michigan behind for business growth and continue to drive costs up for both consumers and insurers. NAMIC encourages the Committee to vote yes on your proposal, HB 4936, and move it forward to the House floor quickly for full consideration.

If NAMIC can be of any assistance to the Committee, please don't hesitate to contact me for any information or clarification on our position.

Thank you for your time and service to Michigan.

Sincerely,

A handwritten signature in black ink, appearing to read "Erin Collins", with a stylized flourish at the end.

Erin Collins

State Affairs Manager